



KANSAS INSURANCE DEPARTMENT

Vicki Schmidt, Commissioner

Proponent Testimony for HB 2135– Establishing Securities Act Victim Restitution Fund

February 1, 2021

Chairman Johnson and Members of the Committee,

Thank you for the opportunity to testify in support of HB 2135.

HB 2135 establishes the securities act victim restitution fund to help Kansas victims of securities fraud (and other violations) recover some of their losses when the perpetrators of securities fraud are unable to pay ordered restitution. Three other states have created similar programs—Vermont, Montana, and Indiana.

The money for the victim restitution fund would come from monetary settlements of state securities law enforcement matters. No taxpayer money would be used. To begin the program, we request a one-time infusion of \$250,000 in start-up money from the securities act fee fund. These monies come from registration fees charged to companies, investment vehicles, brokers, investment advisers, and their agents from all over the nation who pay fees to register to do securities business in Kansas.

Under this program, Kansas victims may apply for assistance from the fund within two years of a final restitution order from the securities commissioner or applicable court. Victims would need to demonstrate that efforts to collect their monies from these restitution orders have been unsuccessful. Claims are limited to the lesser of \$25,000 or 25% of the total restitution ordered, although vulnerable persons, including persons 60 years old and older, could receive up to \$50,000 or 50% of the total restitution ordered.

In the case of securities fraud such as Ponzi schemes, unregistered persons selling unregistered securities, and sometimes dishonest brokers or investment advisers, stolen money is frequently lost or squandered by the scofflaw, leaving Kansans without the hard-earned money they invested. In particular, senior investors are often targets of financial fraud, scams, and exploitation; in part, because they own liquid assets including IRAs and pension streams that are attractive sources of funds to scam artists. Our intent, should HB 2135 become law, is to adopt rules and an application process by the end of the calendar year to implement the program.

Thank you for the opportunity to appear in support of HB 2135.

Lee Modesitt
Director of Government Affairs and Communication